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BELLSOUTH

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December 8, 1999

EX PARTE

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

Re: CC Docket No. 98-121


Dear Ms. Salas:

This ex parte is to correct errors on the attachment to an ex parte that BellSouth filed with your office on December 6, 1999. It was for a meeting held December 3, 1999, in which Sid Boren, Randy New, Bill Stacy and I, representing BellSouth, met with Common Carrier Bureau Chief Lawrence E. Strickling and members of his staff. Bureau staff attending the meeting included William Bailey, Claire Blue, and Jake Jennings.

During this meeting the participants discussed performance measurements, enforcement mechanisms and penalties relating to the Voluntary Self-Effectuating Enforcement Mechanisms (VSEEMS III) proposal that BellSouth initially presented to the Commission staff in a written ex parte filed on April 9, 1999. A corrected copy of the information presented during last week's meeting is attached. Corrections have been made to the pre-ordering and billing rows for Tier 1 on page 12.

In accordance with Section 1.1206, I am filing two copies of this notice for placement in the record of the proceeding identified above. We regret any inconvenience these corrections may cause.

Sincerely,



Corrected Attachment

cc: Lawrence E. Strickling
William Bailey
Claire Blue
Jake Jennings

Robert T. Blau, Ph.D., CFA
Vice President-Executive and
Federal Regulatory Affairs

202 463-4108
Fax 202 463-4631

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**BLS Proposal
on
Voluntary Self Effectuating
Enforcement Mechanisms
(VSEEM III)**

**FCC Ex-Parte
12-03-99**

(Date corrected to show actual date)

Voluntary Self Enforcing Remedies

Multi-Tiered Structure

- **Tier 1 Enforcement Mechanisms**
 - Payments (liquidated damages) directly to the CLEC
 - Triggered by one month of significantly poor performance
- **Tier 2 Enforcement Mechanisms**
 - Fines paid directly to the state Commission or their designated agency
 - Triggered by significantly poor performance by quarter
- **Tier 3 Enforcement Mechanisms**
 - Voluntary suspension of additional marketing and sales of LD services
 - Triggered by excessive repeat failures (a “tripwire”)

Voluntary Self Enforcing Remedies

Background

- How BLS's plan compares
 - Less complex, fewer metrics than BA-NY or SBC-TX
 - Proportionally same \$\$ at risk (per access line basis)
 - BLS statistical method corrects significant flaws in BA-NY and SBC-TX plans
 - No “forgiveness” plan or offsetting credits

Voluntary Self Enforcing Remedies

Individual CLECs and CLEC industry

- Tier 1 (Liquidated Damages)
 - Monthly Assessment at State Level for Individual CLEC
 - State level evaluation is consistent with test statistic
 - State level evaluation takes 'random variation' into consideration
 - State level evaluation will not mask discrimination
 - Parity gap will result in payment to the CLEC operating in negative like-to-like cells (wire center/service)
- Tier 2 (Fines Paid to State)
 - Quarterly Assessment at State Level for CLEC Aggregate
- Tier 3 (suspension of LD authority)
 - Selected sub-measures (12) at the state level.
 - Triggered by repeated failures of the same 5 or more sub-measures for a quarter.

Enforcement Mechanism (Measurements / Tiers / Retail Analogue or Benchmark)

		VSEEM III						
Process	Measures	Resale POTS	Resale Design	UNE Loop & Port Combo	UNE Loops	IC Trunks	LNP	Other
Pre-Ordering	Percent Response Received within "X" sec							Tier-2 (B)
	OSS Interface Availability							Tier-2 (RA)
Ordering	Order Process Percent Flow-Through							Tier-2 (B)
	FOC Timeliness (Mechanized only)							Tier-1 (B)
	Average Reject Interval (Mechanized only)							Tier-1 (B)
Provisioning	Order Completion Interval (Dispatch Only)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)		Tier-1 and Tier-2 (RA)		
	Percent Installations Completed within "X" Days				Tier-1 and Tier-2 (B)			
	Percent Missed Installation Appointments	Tier-1, -2 and -3 (RA)	Tier-1, -2 and -3 (RA)	Tier-1, -2 and -3 (RA)	Tier-1, -2 and -3 (B)			
Maintenance	Percent Provisioning Troubles within 4 Days of Installation	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (B)			
	Customer Trouble Report Rate	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (B)			
	Percent Missed Repair Appointments	Tier-1, -2 and -3 (RA)	Tier-1, -2 and -3 (RA)	Tier-1, -2 and -3 (RA)	Tier-1, -2 and -3 (B)			
	Maintenance Average Duration	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (B)	Tier-1 and Tier-2 (RA)		
	Percent Repeat Troubles within 30 days	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (B)			
Billing	Billing Accuracy							Tier-2 and Tier-3 (RA)
	Billing Timeliness							Tier-2 and Tier-3 (RA)
	Usage Data Delivery Timeliness							Tier-2 (RA)
	Usage Data Delivery Accuracy							Tier-2 (RA)
Trunk Blockage	Percent Trunk Blockage					Tier-1, -2 and -3 (RA)		
LNP	Disconnect Timeliness						Tier-1 and Tier-2 (B)	
	Percent Missed Installation Appointment						Tier-1 and Tier-2 (B)	
C-C Conv	Coordinated Customer Conversions				Tier-1 and Tier-2 (B)		Tier-1 and Tier-2 (B)	
Collocation	Percent Missed Collocation Due Dates							Tier-1, -2 and -3 (B)

LEGEND: RA = Retail Analogue, B = Benchmark

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Voluntary Self Enforcement Remedies

TIER-3

EXCESSIVE PROCESS PERFORMANCE FAILURES

- Selected sub-measures (12) at the State Level
- Failures of the same 5 or more sub-measures for a quarter

EXAMPLE:

Process	Measures	TIER-3 FAILURE X = Miss			NOT A TIER-3 FAILURE X = Miss		
		Month 1	Month 2	Month 3	Month 1	Month 2	Month 3
Percent Missed Collocation Appointments	Resale POTS	X	X	X	X		
	Resale Design	X			X	X	X
	UNE Loop & Port Combo		X				
	UNE Loops	X	X	X			
Percent Missed Repair Appointments	Resale POTS	X	X	X	X		X
	Resale Design		X	X		X	
	UNE Loop & Port Combo					X	X
	UNE Loops				X		
Billing	Billing Accuracy	X	X	X			
	Billing Timeliness				X	X	X
Trunk Blockage	Percent Trunk Blockage	X	X	X			
Collocation	Percent Missed Collocation Due Dates						

Voluntary Self Enforcement Remedy Plan

- PERFORMANCE STANDARDS
 - Parity for analogous products, processes, service
 - Benchmark where no analogues exist
- DETECT POTENTIAL DISCRIMINATION
 - Overall Test Statistic (Truncated Z) Computed to ensure Type I and Type II Errors are balanced
 - Minimizes concern around random variation while not masking discrimination
- PAYMENTS
 - Made at the cell level (Cells test similar products at the wire center level to get Like - to - Like samples - concept approved by FCC statisticians)
- ESCALATING REMEDIES
 - Magnitude of Failure - Addressed utilizing the z-value and balancing critical value. The further z deviates from the balancing critical value, the higher the penalty that is paid.
 - Repeat Failures
 - VSEEM fee schedule increases month-over-month if failures repeat

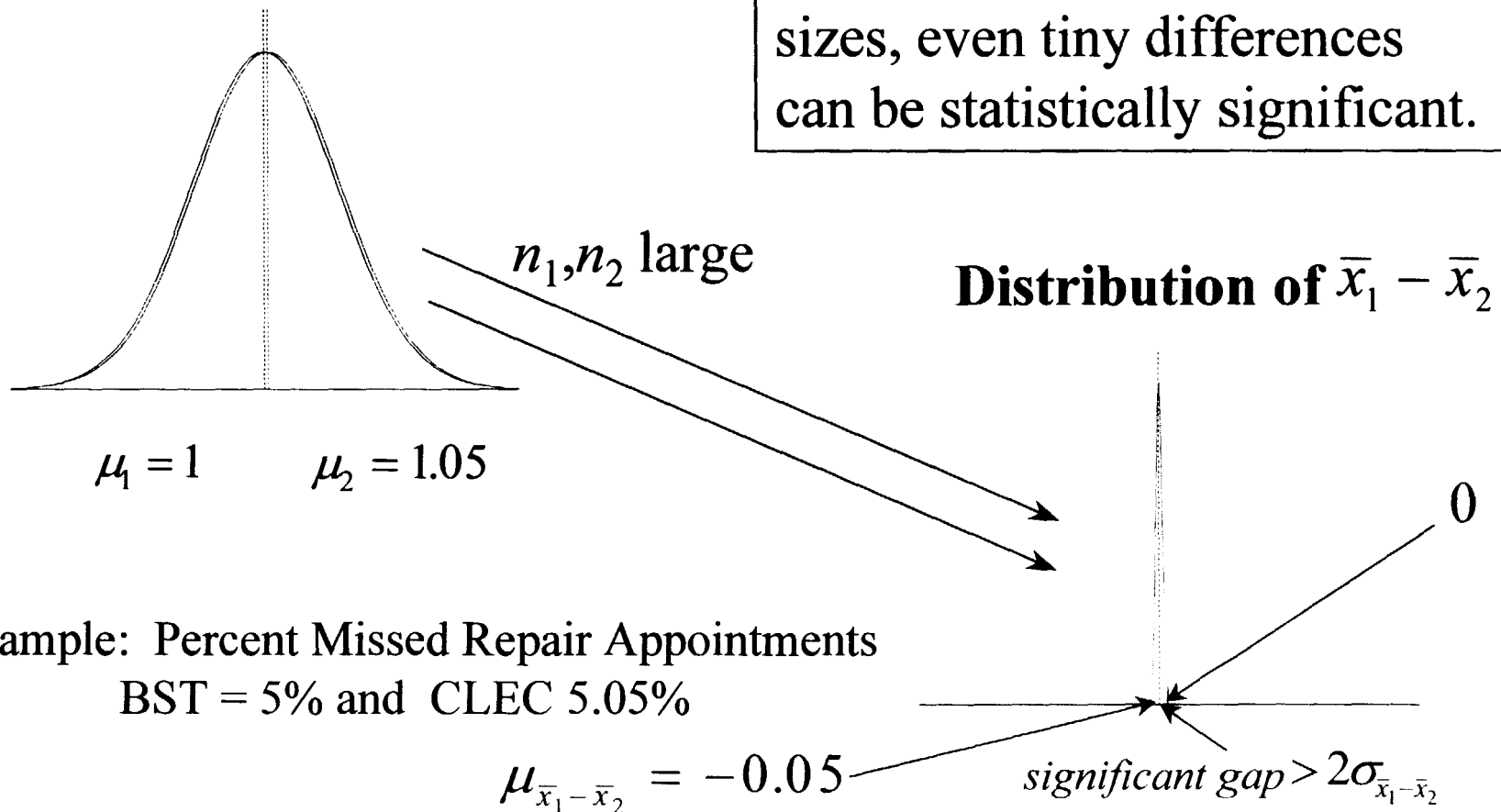
Statistical Determination of Parity

- **PARITY**
 - Statistical Testing required to determine parity
 - Overall Test Statistic using the Truncated-Z Test for Rates and Proportions
 - Overall statistic using the Aggregated Adjusted-Z for Means and Averages
 - Balancing Critical Value
 - Computed to ensure Type I and Type II Errors are balanced
 - Used (with z-value) to assess the Magnitude of a Failure
- **OVERALL TEST STATISTICS**
 - Minimizes concern around random variation while not masking discrimination

What About “Significance” ?

2 Normal Distributions

With large enough sample sizes, even tiny differences can be statistically significant.

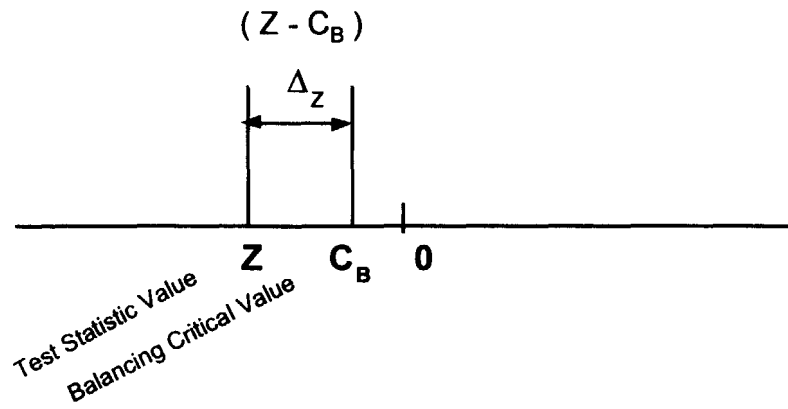


Example: Percent Missed Repair Appointments
BST = 5% and CLEC 5.05%

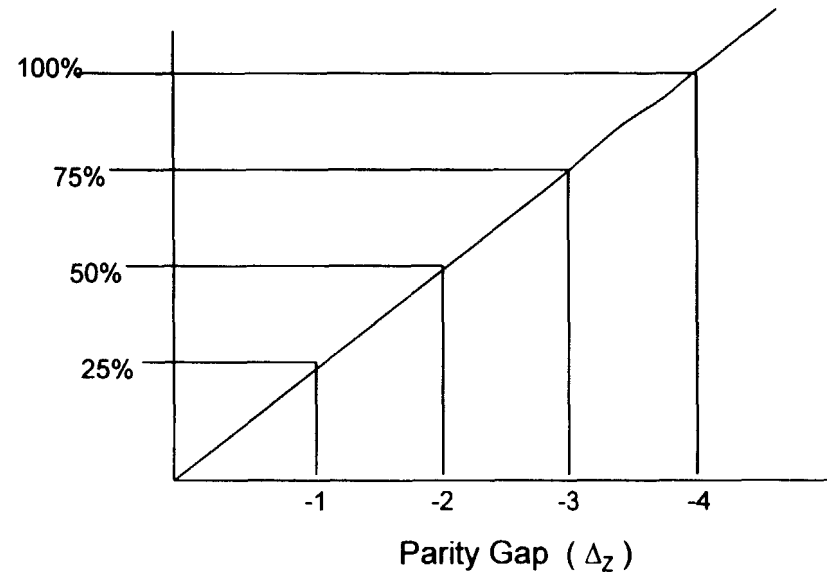
Enforcement Mechanism

Volume Payment Variables

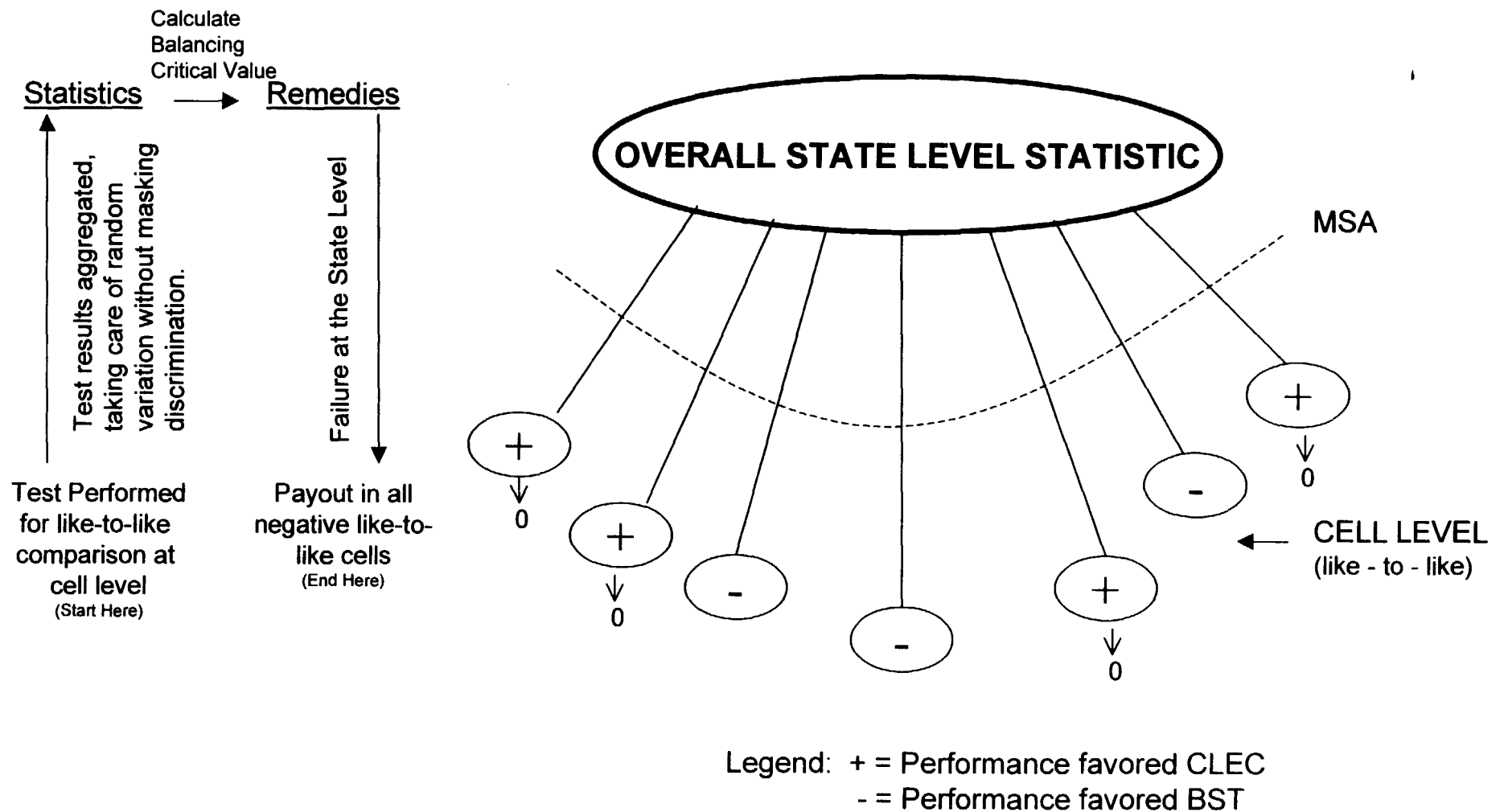
Parity Gap



Volume Proportion



Remedy Payout Diagram



Enforcement Mechanisms

Proposal Fee Schedule

(Pre-ordering and billing rows removed from Tier 1)

Tier-1

PER ITEM PER CLEC

	Month 1	Month 2	Month 3	Month 4	Month 5
Ordering	\$40	\$50	\$60	\$70	\$80
Provisioning POTS	\$100	\$125	\$175	\$250	\$325
Provisioning UNE (incl Coordinated Customer Conversions)	\$400	\$450	\$500	\$550	\$650
Maintenance	\$100	\$125	\$175	\$250	\$325
Maintenance UNE	\$400	\$450	\$500	\$550	\$650
Trunk Blockage/100 calls	\$150	\$250	\$500	\$600	\$700
LNP	\$150	\$250	\$500	\$600	\$700
Collocation	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000

Tier-2

PER ITEM

Pre-Ordering	\$20
Ordering	\$60
Provisioning POTS	\$300
Provisioning UNE	\$875
Maintenance POTS	\$300
Maintenance UNE	\$875
Billing	\$1
Trunk Blockage/100 calls	\$500
LNP	\$500
Collocation	\$15,000

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Remedy State Caps (annual)

- (Tier-1 plus Tier-2 by state)

– AL	\$17M	MS	\$11M
– FL	\$56M	NC	\$23M
– GA	\$36M	SC	\$11M
– KY	\$10M	TN	\$23M
– LA	\$21M		

- Regional Total \$208M

Voluntary Self Enforcing Remedies

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